

PX 233

Message

From: [REDACTED] com] on behalf of [REDACTED] com> [REDACTED] com]
Sent: 12/17/2019 8:38:10 AM
To: [REDACTED]@ripple.com; Monica Long [REDACTED]@ripple.com]; [REDACTED]@ripple.com; [REDACTED]@ripple.com]
CC: [REDACTED]@ripple.com]; [REDACTED]@ripple.com]; [REDACTED]@ripple.com]
Subject: Ripple 12/17 Discussion Materials
Attachments: 12.17.19 Ripple [REDACTED] discussion Materials.pdf

Ripple Team,

Please find attached materials ahead of our call. We look forward to the discussion.

Thank you,

[REDACTED] Team

This message, and any attachments, is for the intended recipient(s) only, may contain information that is privileged, confidential and/or proprietary and subject to important terms and conditions available at [REDACTED]. If you are not the intended recipient, please delete this message.



Discussion Materials

December 17, 2019

¥

₹

Milestones and Roadmap to IPO



1



Investment Thesis for Public Investors

2



Customers, Metrics and Model to Support Thesis

3



Valuation Narrative / Framework

4



IPO Timeline and Process

2

1

Characteristics That Resonate With Public Investors



Sustainable and Durable Growth – One of the single most important factors impacting valuation



Large and Justifiable TAM – Continued correlation between justifiable size and valuation achieved



Unique, Thematic – Investors want access to companies that play on a macro trend or particular theme (Digital Transformation, Disruptive Tech, SaaS, ML/AI)



Market Leadership / Competitive Moats – Solidifies business significance and speaks to overall traction



Secular Growth Drivers – Further validates the opportunity ahead and increases confidence in continued momentum

3

CONFIDENTIAL

RPLI_SEC 0931811

1

Ripple's Investment Thesis for Public Investors



Disruptor Leading a Paradigm Shift

- Category leader for blockchain based digital payments
- Massive enablement *proposition* for digital payments



Large and Expanding Market Opportunity (TAM)

- Solving a \$10 trillion payments problem today
- Opportunity to expand market size and opportunity



Delivering Strong ROI to 300+ Customers

- Dismantling the archaic payments infrastructure
- ROI: Global reach, fast, zero failure rates and 50%+ reduction in costs
- Unlocks trapped liquidity for working capital



Payments Focus and Network Effects Creating a Strong Moat

- XRP purpose-built for payments vs. other digital assets
- Synergistic model that leverages RippleNet and XRP for liquidity



Strong Growth Levers

- Existing customers have 60+M potential RippleNet transactions
- Disruptive technology platform to drive additional use-cases



4

CONFIDENTIAL

RPLI_SEC 0931812

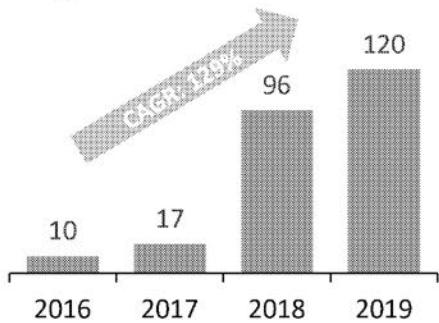
2

Ripple's Story Supported with Key Business Metrics



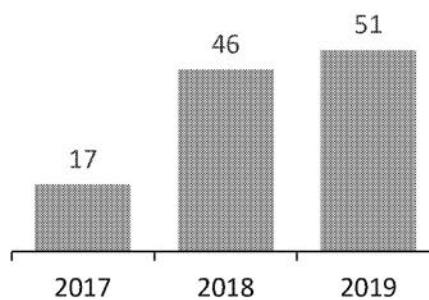
Growing Customer Base...

New RippleNet Customer Wins



...Across the Globe...

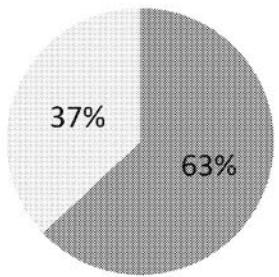
Cumulative Counties with Customers



...Creating Strong Network Effects...

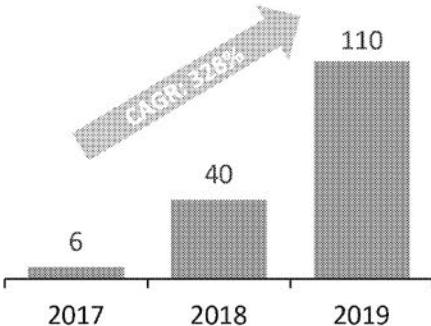
Customers Increasing Connections

Customers sending volume already have 2+ connections

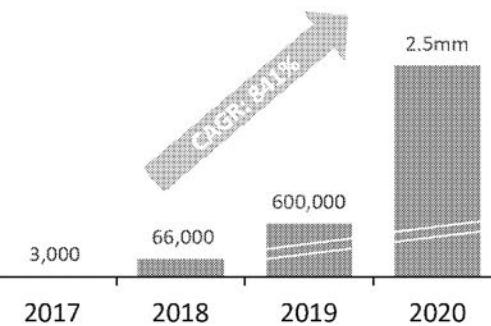


...with Growing Pairings...

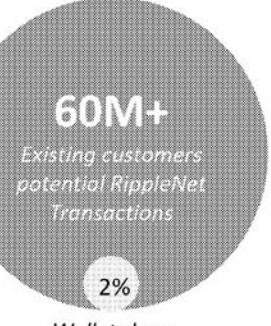
Cumulative Counterparty Pairs



...Driving Hyper Growth in Transaction Volume...



...with Significant Room for Growth...



5

Source: Company presentation.

CONFIDENTIAL

RPLI_SEC 0931813

2

Ripple's Unique and Attractive Financial Model



RippleNet

Xpring

XRP

Ripple Financials

Observations

- Large scale and high margins driven by XRP revenue
- Unique business model: Increasing adoption of RippleNet and Xpring drive value for XRP
 - Will require continued investor education
- Inherent volatility in model and lack of visibility given current market speculation of XRP
- Software, services model still evolving
- Company's XRP holdings allows the company to fund the business to drive adoption of RippleNet

6

Source: Company presentation.

CONFIDENTIAL

RPLI_SEC 0931814

3

Ripple's Preliminary Valuation Framework



Preliminary Valuation Methodologies

A

Value of XRP
(Premium or Discount)

B

Present Value of XRP Monetization

C

Sum of the Parts (SOTP)

Considerations



Ripple drives value of XRP



Unique and Measurable
Approach to Valuation



Investors will look for a long-term
target model from management

3

Preliminary Valuation Framework: A Value of XRP



Investors view Ripple as a proxy for the broader space, could be viewed as more of a speculative asset which could lead to higher discount rates

- **Public company discount:** XRP value today [REDACTED]¹⁾; various discount levels (e.g. 20, 30%, for illustrative purposes) for a public company with holdings of an asset
- **Examples:** Naspers / Tencent and Mail.ru; Yahoo / Alibaba and Yahoo Japan; Expedia / Trivago all traded at a discount from their respective equity holdings ~15% to ~30%
- Naspers average discount 23% for the past two years, Yahoo / Alibaba and Yahoo Japan ~25% based on street analyst SOTP, Expedia/Trivago current discount ~25% based on street analyst SOTP

	based on Dec 12, 2019 ⁽¹⁾
Illustrative Value (\$bn)	Illustrative Discount
[REDACTED]	0%
[REDACTED]	10%
[REDACTED]	20%
[REDACTED]	25%
[REDACTED]	35%

Preliminary Valuation Framework: B PV of XRP Monetization

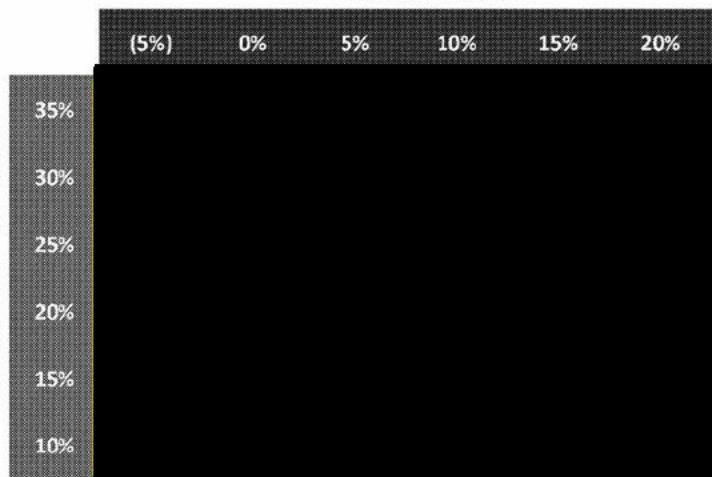
Investors value Ripple based on present value of XRP Monetization

Preliminary Assumptions

- Assumes various revenue growth and discount rates
- Illustrative value = PV of XRP cash flows from 2020-2030, steady state reached in 2030 no further monetization of XRP; terminal value assumed to be 1.5x value of XRP in 2030
- FCF margin assumption of 60%

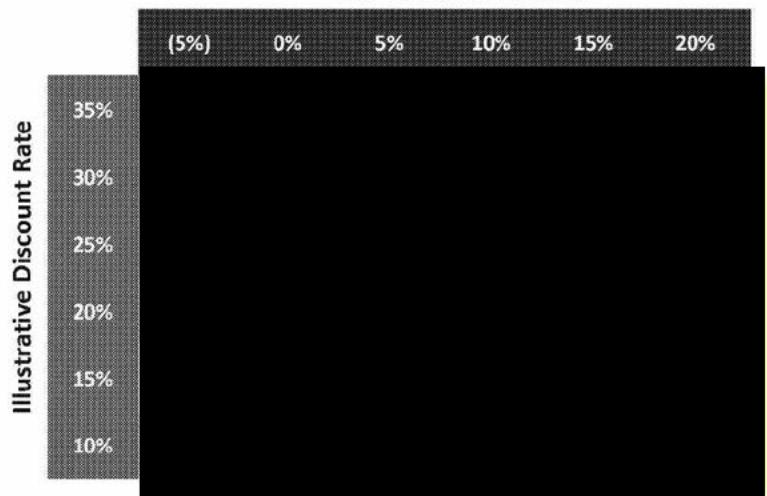
Illustrative Valuation

XRP Revenue Growth



Illustrative '20 Revenue Multiple

XRP Revenue Growth



9 Note: Dollars in millions.

3

Preliminary Valuation Framework: Sum-of-the-Parts



Investors believe in long-term vision of XRP as the universal asset for liquidity in Internet of Value (IoV)

- Potential Sum-of-the-Parts (SOTP) Valuation: RippleNet + Xpring + XRP
- **RippleNet and Xpring:** Multiple Method Applied to LT view and DCF approach



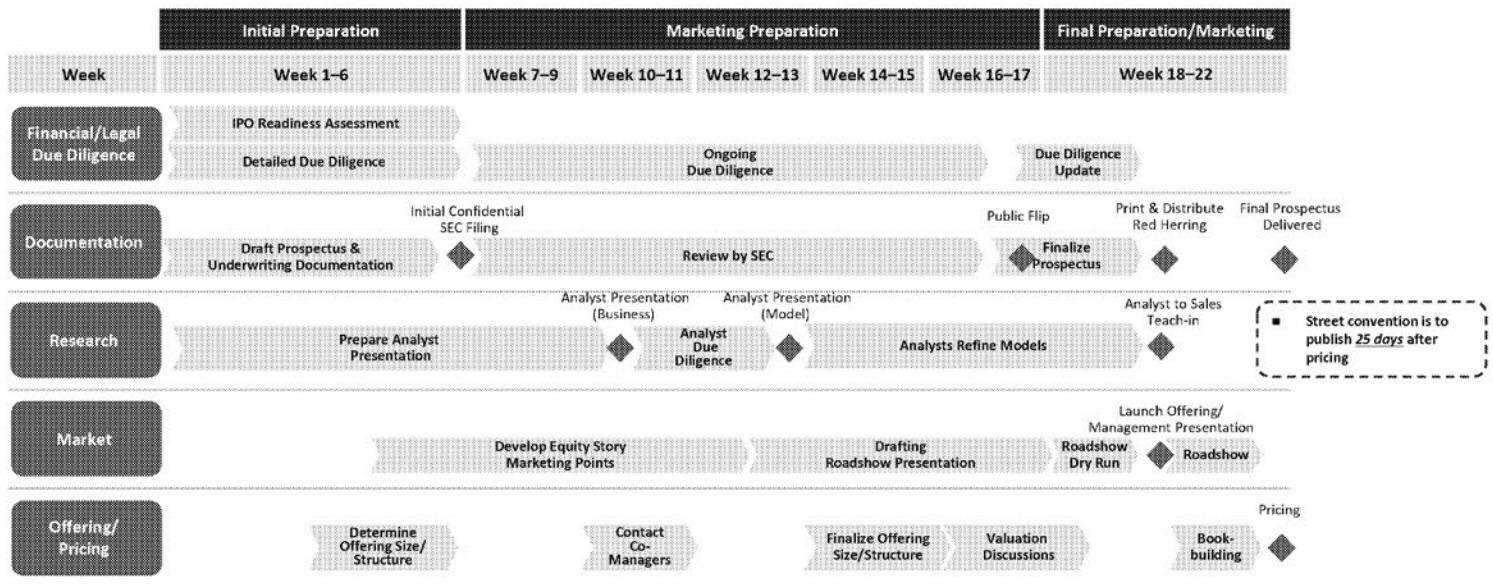
- **XRP: Public company discount and PV of XRP Monetization**
- **Public company discount:** XRP value today [REDACTED] various discount levels (e.g. 30% for illustrative purposes) for a public company with holdings of an asset
- **PV of XRP Monetization:** Illustrative value = PV of XRP cash flows from 2020-2030, steady state reached in 2030 no further monetization of XRP; terminal value assumed to be 1.5x value of XRP in 2030

4

Illustrative IPO Timeline



The IPO process typically lasts 4–6 months, but depends largely from overall company preparedness, as well as market dynamics. Non-Deal Roadshows can begin several months ahead of planned IPO, in order to familiarize the market with Ripple



Flexibility Is Key



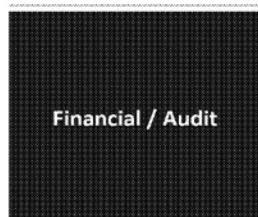
Building Out Your Infrastructure for the IPO



Key Internal Preparation Items



- Engaged counsel: company representative throughout the IPO preparation and execution processes
 - Provide legal opinion to underwriters
- Begin preparing for SOX compliance and other public responsibilities
 - Specific corporate governance requirements, some of which contain phase-ins for IPOs
 - No loans to directors or executive officers
 - Corporate conduct & ethics policy
 - Internal controls for CEO & CFO certifications



- Integral to the preparation of financial statements and with respect to internal controls
 - Annual and Interim periods are required in the prospectus
 - Provide comfort letter to underwriters
- Develop financial projections (annual / quarterly) and long-term model
- Develop Sarbanes-Oxley compliance plan
- Ensure proper reporting systems and controls are in place
- Track relevant KPIs



- Protects the executive team and company in the case of a lawsuit brought against the company or its executives



- Establish compensation / retention plans for key management and directors (options plans, grants, etc.)



- Can be internal function or hired third-party advisors
- Can start as an external function as the company builds its own in-house group

Companies must prepare internal infrastructure to meet public company standards as well as meet regulatory requirements per Sarbanes-Oxley and other SEC / exchange rules